

# Senate Budget & Fiscal Review

## *Senator Steve Peace, Chair*



Subcommittee No. 3  
on  
Health, Human Services, Labor, and Veterans Affairs

Senator Wesley Chesbro, Chair  
Senator Ray Haynes  
Senator Deborah Ortiz

Catherine Camp, Consultant

Thursday May 9, 2002  
Upon Conclusion of Senate Floor Session  
Room 4203

### ***AGENDA***

<u>Item</u>	<u>Description</u>	<u>Page</u>
<b>CONSENT/VOTE-ONLY AGENDA</b>		
<b>4140</b>	<b>Office of Statewide Health Planning and Development</b>	
	Healthcare Workforce Development	3
	Rural Health Care	4
	Hospital Seismic Retrofitting	4
<b>4130</b>	<b>Health and Human Services Data Center</b>	
<b>5180</b>	<b>Department of Social Services</b>	
	CWS/CMS Internet Pilot Program	4
	School-Age Child Care Center Licensing	5
	In-Home Supportive Services Residual Program	5
<b>5180</b>	<b>Department of Social Services-CalWORKS</b>	
	Corrections and EDD Reductions	6
	County Incentives	7
	Employment Services	8
	Fraud Incentives	8

<b>5100</b>	<b>Employment Development Department</b>	
	Enhance Data Collection Capacity at EDD	8
	Capital Outlay Funds	8
	One-Stop Cost	9
	Workforce Investment Act Funding: Transfers and Re-Allotments	9
	Workforce Investment Act Funding: Rapid Response	9
	Workforce Investment Act Youth Services	10

**DISCUSSION AGENDA**

<b>4130</b>	<b>Health and Human Services Data Center</b>	
<b>5180</b>	<b>Department of Social Services Automation Issues</b>	
	Statewide Automated Welfare System Consortium IV	11
<b>5180</b>	<b>Department of Social Services: Children's Programs</b>	
	Adoptions	12
	Group Home Rate Structure	12
<b>5180</b>	<b>Department of Social Services: Community Care Licensing</b>	
	Continuing Care Communities	13
<b>5180</b>	<b>Department of Social Services-CalWORKS</b>	
	Cost of Living Adjustments	13
	Child Care	14
	Community Colleges	15
	Adult Education	15
	Scope of CalWORKs Program	16
	County Grant	16
	Mental Health/Substance Abuse Services to CalWORKs Participants	17
	County Programs Grant 5% Holdback	18
<b>5120</b>	<b>California Workforce Investment Board</b>	
	Performance Based Accountability System	18
<b>5100</b>	<b>Employment Development Department</b>	
	SB 40 Clean-Up	19
	Reed Act	19
	Naturalization Services for Airport Workers	20

---

**CONSENT/VOTE-ONLY AGENDA****4140 Office of Statewide Health Planning and Development (OSHPD)****Healthcare Workforce Development**

The current year budget included extensive language requiring a preliminary assessment of strategy for development of the capacity to analyze California's healthcare workforce. The assessment was intended to identify state health professions needs and legal and regulatory requirements to meeting those needs. The structure of the assessment was intended to become a template for assessing wider workforce needs in California. The report was received at the subcommittee's hearing on OSHPD on April 11.

The report found that in the Departments of Corrections, Developmental Services, Health Services and Mental Health had a 16% vacancy rate in registered nurse positions. The same departments had an 11% vacancy rate for psychiatric technicians, and a 23% vacancy rate for social workers. The report also included a summary of training resources. **The report found that departments do not have information on position turnover or specific mechanisms for projecting need by workforce category. OSHPD was unable to find data relevant to shortages of healthcare professionals with diverse language and cultural skills.**

OSHPD concludes that it will make efforts to develop the capacity to contribute to an ongoing assessment of healthcare workforce needs, and has reorganized the Office to include a Healthcare Workforce and Community Development Division. OSHPD will reallocate resources within the new Division to enhance the capacity of the workforce data unit to collect relevant workforce information for training entities. OSHPD will maintain and strengthen relationships with entities that train healthcare workforce participants. OSHPD will continue to build the capacity to analyze workforce data by geographic area, and to incorporate linguistic, cultural and other demographic information.

The budget in January proposed to take some General Fund reductions in the area of Healthcare Workforce Development. The subcommittee did not act to adopt these reductions. The subcommittee did adopt a spring Finance letter that increased expenditures for the Nursing Workforce Initiative. The reductions include:

- **Reducing operating expenses and equipment for the Health Professions Career Opportunity Program and Song Brown programs by \$37,000.**
  - **Reducing the Health Professions Career Opportunity Program by reducing grants to academic institutions to encourage and train individuals for a career in health care by \$42,000, and eliminating "Health Pathways", a publication for students, counselors and recruiters, for a savings of \$45,000.**
  - **Reducing the Song Brown Family Physician Training Program by eliminating special program grants, for a savings of \$804,000.**
-

- **Adopting Budget Act language for authority to authorize expenditures of up to \$200,000 for fund raising activities related to the provision of care provided by specialty care providers in underserved areas, through a contract that will carry out fund-raising.**
- **Deleting one position and decreasing expenditure authority for the Health Facilities Construction Loan Insurance Fund, for a savings of \$53,000 in special funds.**

**The subcommittee could adopt the reductions, including the budget bill language authorizing fund raising for specialty care.**

#### **Rural Health Care**

The subcommittee in April considered the elimination from the budget of \$3 million in Rural Capital Outlay for Rural Health Systems, a grant-based program that has been included in several recent budgets. The subcommittee adopted the reduction, but directed staff and OSHPD to develop Supplemental Report Language that will provide the legislature with information about the fiscal and programmatic stability of rural health systems. **The Supplemental Report Language is attached.**

**The subcommittee could adopt the Supplemental Report Language.**

#### **Hospital Seismic Retrofitting**

The subcommittee in April considered the status of OSHPD implementation of California law requiring hospitals to evaluate their facilities, develop plans to meet seismic standards, and ensure that their buildings are seismically sound by specified deadlines. OSHPD has the authority to permit extensions of the deadlines for hospitals that provide information showing that compliance will result in diminished health care capacity in their area.

SEIU provided to the Committee Trailer Bill Language that delineates additional information needed in a request for a delay, and public notice requirements for such requests. The subcommittee asked hospitals, OSHPD and SEIU to meet and come to agreement on such language. They have done so. The proposed Trailer Bill Language is attached.

**The subcommittee could adopt the Trailer Bill Proposal.**

**4130 Health and Human Services Data Center**

**5180 Department of Social Services**

#### **Child Welfare Services/Case Management System Internet Pilot Program:**

##### **Assembly Action**

Last year's budget trailer bill included authorization for a pilot program to create a foster care internet passport system (AB 427, Hertzberg). The pilot system is intended to store school and medical records of foster youth moving through the foster care system. The

---

Data Center is in the initial stages of implementation of the project, to be tested in Los Angeles. Federal approval is required to test this system, since it would ultimately be a part of the Child Welfare Services/Case Management System, that operates under both federal and state guidelines, and that uses federal funding for part of its support. A copy of the Trailer Bill Language is attached.

The Data Center, DSS and Los Angeles County request a one-year extension of the deadline (from January 1, 2003 to January 1, 2004) for federal approval of the pilot program, to accommodate delays and federal time schedules. The Assembly has adopted the trailer bill language extending the deadline.

**No issues have been raised about this proposal.**

#### **5180 Department of Social Services: Community Care Licensing**

##### **School-Age Child Care Center Licensing**

Current law requires that some school-age child care centers be licensed. Those facilities that are operated on school sites, by school staff, and primarily serve children who attend the school are exempted from licensure. The budget proposes to streamline the licensing of school-age child care facilities, by changing the required visits to once every three years rather than once a year, eliminating case management activities, and implementing Serious Incident Reporting procedures. The law will continue to require that such facilities be subject to a criminal record clearance and child abuse registry check; visits will be made pursuant to complaints consistent with current practice. The proposal does not change the existing status of family day care homes.

**The budget, as proposed in January and modified by a Spring Finance Letter, proposes to reduce the budget by \$542,000 General Fund, and eliminate 9.5 positions; and to adopt Trailer Bill Language to change licensing statutes and accomplish the reductions.**

**No additional opposition to this proposal has been received. The subcommittee could adopt the Reduction, eliminate the positions, and adopt Trailer Bill Language to accomplish the reduction, as proposed in the budget and Spring Finance Letter.**

#### **5180 Department of Social Services: Adult Programs**

##### **In-Home Supportive Services Residual Program**

The In-Home Supportive Services (IHSS) program provides services to eligible persons who are unable to remain safely in their homes without those services. County welfare departments coordinate the programs. Services are provided to low income elderly, blind or disabled individuals. Services include domestic services, personal care services, assistance while traveling to medical appointments or other supportive services,

---

protective supervision, teaching and demonstration directed at reducing the need for services, and certain paramedical services ordered by a physician.

Most IHSS services are implemented under the Personal Care Services Option under the federal Medicaid program. Under this option, the state can collect federal financial participation for medically necessary services provided to IHSS clients who are Medi-Cal eligible. There are additional residual services not matched with federal funds: cases where the only services required are domestic chores; protective supervision services; services to persons who are not Medicaid eligible; services in cases where the recipient is severely disabled and receives payment in advance of service delivery; and services provided by relatives, including spouses and parents.

The subcommittee considered an option presented by the LAO to eliminate the residual services in the case of advance payment cases, and services provided by relatives. The subcommittee did not adopt the option, but asked the Department to explore whether some residual services can be revised so that they are federally eligible, without changing the general scope of the program. The department is actively pursuing federal participation, especially when the services are for protective supervision, and in the case of advance pay. They are less optimistic about the willingness of federal Medicaid decision-makers to recognize California's decision to use relatives when they can provide the most appropriate care. It is possible that some of these efforts will result in budget year changes, but not at all certain.

The subcommittee could request that the Department report in budget hearings next year on the status of their activities with respect to residual IHSS cases.

The Department shall make available at budget hearings in 2003, information about the state's efforts to identify groups of services under the IHSS residual program that could be adapted to assure Medicaid reimbursement, including advance payment cases, services intended to provide protective supervision, and any other services where federal reimbursement is possible.

**There are no issues with this Supplemental Report request.**

## **5180 Department of Social Services—CalWORKs**

### **Corrections and EDD Reductions**

The CalWORKs budget has in the past had two programs in the California Department of Corrections for women, including the Female Offenders Treatment and Employment Program, and the Family Foundation Program. **The budget removes the entire funding of \$2.5 million CalWORKs funding from these programs, and instead provides funding through the Workforce Investment Act.**

---

The CalWORKs budget has for several year included \$3.6 million in TANF funds and \$3.6 million in EDD funds for Intensive Services provided through EDD. The services include case management and more intensive support to hard to serve individuals seeking work. **The January budget removed the \$3.6 million match from EDD and continues to provide \$3.6 million in TANF funds into the program. The subcommittee eliminated the \$3.6 million in TANF funds from the EDD budget.** The Governor's reduction of \$2.5 million CalWORKs funding from Corrections for women's programs, and \$3.6 million from EDD for Intensive Services is important to a CalWORKs budget.

- **The subcommittee can adopt the Governor's reductions from Corrections and EDD and removal of an additional \$3.6 million in TANF funds from the EDD budget.**

### **County Incentives**

CalWORKs statute provided that savings from exits due to employment, increasing earnings, and diverting potential recipients, would be paid to counties as performance incentives. In 2000, the law was changed to make performance incentives subject to annual budget act appropriations. By 99-00, counties had earned \$1.2 billion in incentives, and had been paid \$1.1 billion. The 00-01 budget included \$20 million in payment against the unpaid amount.

The budget estimates that counties will have \$600 million in unspent incentive funds available in the budget year. The federal government requires that the state consider these funds as obligated only if they will be spent in the budget year; the budget, therefore, proposes to recapture all incentive funds not planned for spending in the budget year. **The budget further proposes to redirect the \$20 million from the current year, and to recapture \$169 million from amounts owed to counties to use as part of the CalWORKs budget in the budget year. The budget then proposes to reallocate the remaining incentive funds (\$431 million) to counties as performance incentive funds.** This would leave an obligation from the state to counties for unpaid incentives at \$266 million.

Counties are faced with substantial discrepancies in per-participant funding for employment services. The total amount of employment services is substantially short of full funding, according to the LAO. In addition, counties vary substantially, depending at least in part on when the county fully implemented the program.

**The County Welfare Directors Association has proposed to reallocate performance incentive funds to those counties that are 'under-equity' in employment services. This proposal was adopted at our April 25 hearing. The CalWORKs budget requires the Administration's recapture of \$169 in performance incentives.**

- **The subcommittee could adopt the Administration's use of incentives.**
-

**Employment Services**

The budget has historically transferred funds from the Employment Training Fund to CalWORKs. The budget proposes to transfer \$30 million in ongoing funds from the Employment Training Fund to CalWORKs.

- **There are no issues with the transfer of Employment Training Funds as proposed in January. The action includes Trailer Bill to transfer the funds.**

**Fraud Incentives**

The budget eliminates \$5.1 million in General Fund incentive payments for fraud detection by counties. Counties would continue to receive \$5.1 million in federal TANF funds for fraud detection incentive payments. The funds are provided to counties based on the percentage of the total overpayments in the state that the county recouped through fraud activities. The Assembly took the federal \$5.1 million as well as adopting the proposed reduction of state funds.

- **The subcommittee will adopt the January reduction of \$5.1 million and the Trailer Bill Language to accomplish the reduction.**

**5100 Employment Development Department****Enhance Data Collection Capacity at EDD**

Various stakeholders have raised with the Legislature the need to improve the Department's data collection methods for the purpose of understanding labor market trends in the state and evaluating the effectiveness of workforce preparation programs. Some have expressed special interest that any plans for additional data collection elements be considered in a timely fashion so that they might inform redesign of the Employment Tax System.

The Department has convened a meeting to develop a plan to enhance their current data collection capacity. **The resulting Supplemental Report Language is attached; it requires a consultative process by the Department by December 31, 2002 to determine the feasibility of collecting additional data.**

- **There are no issues with the Supplemental Report Language.**

**Capital Outlay Funds**

The budget includes language that would transfer any unencumbered balances in the Employment Development Department Building Fund to the Federal Unemployment Fund. Funds in the building fund are used for the acquisition, construction, or renovation of department facilities. This language assures that funds remain available for Employment Development purposes.

- **There are no issues with this language.**
-



**One-Stop Costs**

The federal Workforce Investment Act required that One Stop systems be established in local communities, to be supervised by local Workforce Investment Boards. There must be at least one physical location in each local Workforce Investment Area. One Stops provide core job search services to employers and job seekers. In addition, they provide intensive services and training services for individuals with more barriers to job seeking.

During the subcommittee's hearing on WIA Oversight in February, 2002, we received testimony on the substantial amount of WIA funding that is being used to provide core services in One-Stop centers around the state. While collaboration at the local level has permitted coordinated services, One Stop partners have not always been able to bring resources to support the basic infrastructure.

Attached find Budget Bill language that requires EDD to develop a format for reporting costs of participating in One-Stop centers by its own staff, and a format for other departments to participate. **The language should also be included in the Department of Rehabilitation's budget, and possibly the budget of the Department of Social Services.**

- **There are no issues with the proposed Budget Bill language**

**Workforce Investment Act Funding: Transfers and Re-Allotments**

The subcommittee requested, at its oversight hearing in February, that the Department review the procedure for transfers of WIA funds between local areas, and the potential for reallocation of WIA funds, to ensure their expenditure. The question was driven in part by the federal action to rescind a portion of Rapid Response funds, based in part on the state's performance.

EDD has provided a written response to our request, and the report is included in the Attachments for this hearing. The report spells out the procedure for recapture of under-utilized funds, and reallocation of those funds to areas that can spend them. EDD has issued a directive to local WIA boards spelling out these requirements.

- **No action required**

**Workforce Investment Act Funding: How Rapid is Rapid Response?**

The subcommittee requested information from the Department concerning the state's expenditure of Rapid Response WIA funds (25% of the Dislocated Worker funds allocated to the state). The request was based in part on the possibility that slow spending of these funds were significant in creating an analysis by the federal government that led to the rescission.

The Department has provided a description of the process, a timeline for Rapid Response requests, and a chart showing the length of time each request has taken to release of the

---

funds. The time period has ranged from same day to 261 days. The Department reports that the timing of the response is highly variable, and depends on the complexity of the project, the extent to which the request is clear and supported with data, and the amount of funds requested.

- **No action required.**

#### **Workforce Investment Act Youth Services**

The Budget Act required a report on state and local spending for youth services under WIA. The guidelines for WIA have change youth services to a focus on longer-term youth development principles and strategies.

The report was provided on April 30. The report provides the number of youth enrolled at the local level in 2000-01 and the first quarter of the current year. The report also shows the steep drop in young people provided summer-related services (8,900 young people of a total 29,314 served). Finally, the report shows that 2000-01 program spending was 87% of the allocation; 97.5% of the funds were obligated. Finally, the report includes information from the California Workforce Investment Board, which has initiated a Youth Council Institute. The Institute has had an initial meeting, and the challenges identified by representatives of local WIA board youth councils are summarized.

- **No action required.**
-

**DISCUSSION AGENDA****4130 Health and Human Services Data Center****5180 Department of Social Services Automation Issues****Statewide Automated Welfare System Consortium IV**

Consortium IV is one of four consortia that make up the Statewide Automated Welfare System (SAWS). SAWS is a multi-program automated system that provides support to eligibility determination, benefit computation, benefit delivery, case management and management information for CalWORKs, Food Stamps, Medi-Cal, Foster Care, Refugee Assistance and the County Medical Services program.

The Consortium IV system is under development, and is designed to meet the needs of four counties (San Bernardino, Riverside, Stanislaus, Merced). The counties that form another consortium, Interim Statewide Automated Welfare Systems or ISAWS, have voted to end their consortium. The subcommittee adopted language requiring DSS and the Data Center to work with the ISAWS consortium to determine the steps necessary to ensure that ISAWS counties migrate expeditiously to one of the remaining SAWS consortia.

The LAO provided, as one of their options for meeting the budget deficit, an option to cancel the Consortium IV system. The savings from a cancellation, according to the LAO, would be \$16.3 million General Fund and \$52.4 million TANF funds. Advocates are concerned that there would be a legal challenge to a cancellation of the contract, and that the movement of all counties to remaining consortia would make the entire SAWS system vulnerable.

The Consortium IV vendor has proposed that the project (budgeted for \$75.5 in 2002-03, \$16.3 million of which is General Fund) could be reduced in the budget year by \$9.0 million (\$2.0 million General Fund) without imposing serious risk to the project's success. The vendor believes that the final system implementation end date of August 2004 will not be affected by the reduction.

The Data Center and DSS are reviewing the proposed reduction with the vendor and the Consortium IV users' group.

- **The Data Center and DSS will provide comment on the proposed reduction.**
  - **The LAO will provide comment on the proposed reduction.**
  - **The subcommittee will determine whether to accept the reduction.**
-

**5180 Department of Social Services: Children's Programs****Adoptions**

The January budget proposes a reduction of \$12.8 million (\$7.3 million General Fund) for adoption services. The \$7.3 million General Fund is backfilled by redirecting federal adoption incentives to adoption programs currently supported by the General Fund. The federal match generated by using General Funds is lost, resulting in **a reduction of adoption services of \$5.5 million.**

The subcommittee requested that the LAO examine the impact of this reduction on the rate of final adoptions, to determine whether there would be an impact on the General Fund of increased foster care costs associated with a delay or reduction in adoptions. The LAO has completed the analysis, finding that approximately 900 children will have their adoption delayed; and that the impact on the General Fund is negligible, due to the interaction of sharing ratios.

The Department provided information at our previous hearing on adoption performance, responding to Supplemental Report Language adopted last year. The subcommittee should consider adopting the same language, to assure that the legislature measures adoption performance regularly:

The Department shall make available through the budget process, county-by-county information on the number of final adoption placements, and the number of guardianships, from 1997-98 to the most recent information available. The information shall include whether the adoption case backlog addressed in the 2000-01 budget has recurred.

- **The LAO will report on their findings.**
- **The subcommittee will determine whether to adopt the Supplemental Report Language**
- **The subcommittee will determine whether to adopt the reduction.**

**Group Home Rate Structure**

The January budget provides no COLA for foster family homes, or group homes for the budget year. The subcommittee received a request from the California Alliance of Child and Family Services, asserting that the state's rate structure has not kept pace with the cost of care. They proposed a limited adjustment to the rate system that would permit them to retain experienced staff, without exposing the state to higher costs.

At the April 11 hearing, the subcommittee also received a report from the working group on the Reexamination of the Role of Group Care. The final report of this group recommended that the group care reimbursement system be significantly redesigned. However, final recommendations for such a redesign will not be available until at least August, 2002, as they have been included in a large Child Welfare Stakeholders process.

---

And any August recommendations will take at least an additional year to develop specific plans for implementation.

The subcommittee requested that the Alliance and the Department bring us a proposal in May that provides flexibility for providers to live within a capped payment with no COLA, that is revenue neutral in the budget year; and where the tradeoffs of experience and retention in staff protects service levels and children's safety.

- **The Department and the Alliance will provide the results of their discussion**
- **The subcommittee will determine whether to adopt a change to group home rate setting.**

#### **5180 Department of Social Services: Community Care Licensing**

##### **Continuing Care Communities**

The Department of Social Services, Community Care Licensing branch, has oversight responsibility for residential communities that promise to provide long-term (usually lifetime) resident contracts to provide care. This oversight includes 80 communities statewide with approximately 20,000 residents. Each community must be licensed as a Residential Care Facility for the Elderly; some have a Skilled Nursing Facility on the premises. The Department's oversight focuses primarily on monitoring for financial solvency.

The subcommittee last year heard concerns that the Department did not have sufficient actuarial expertise and legal representation to provide sufficient oversight. The budget in the current year increased the cap on CCL indirect administrative expenditures for this program from 5% to 20%. The department's efforts to upgrade the positions have been slow, and unsuccessful. At the request of stakeholders, the Department has developed Budget Bill language to assist their efforts.

- **Should the subcommittee adopt the proposed language indicating the important and complex nature of the work of this oversight?**

#### **5180 Department of Social Services—CalWORKs**

##### **Cost of Living Adjustments**

Current law requires that a cost-of-living adjustment be made to the CalWORKs aid payment, based on the change in the California Necessities Index each year. The change is made in October 1 of each year. The budget proposes to make no COLA adjustment for 2002-03.

---

The CNI for the budget year will be 3.74%. Extreme threats to the General Fund may prevent the Legislature's capacity to provide a full cost of living. **The cost of proving a Cost of Living Adjustment for CalWORKs recipient for the budget year would be approximately \$112 million.**

- **The subcommittee will determine whether there is enough information about the budget to provide a COLA at this time.**

### **Child Care**

The CalWORKs program provides child care to participants that are working or engaged in employment preparation programs. The CalWORKs budget includes funding for the first two of three stages: Stage 1, that provides care when a participant enters CalWORKs, administered by county welfare departments; and Stage 2, that provides care to participants once the participant's situation is stable, and as long as two years after the participant leaves cash aid, administered by the Department of Education.

The January budget assumed enactment of a reform that collectively would have resulted in savings of approximately \$400 million, including reduced income eligibility limits, reduced reimbursement rates for providers, and increased fees for most recipients. In the January budget the reforms would have been used to create new subsidized child care programs. The specific reform proposals have been dropped. There may be an alternate reform proposal included in the May Revision. As a result of the January proposal, however, the CalWORKs child care budget is short by a total of \$183 million (\$50 million for Stage 1 and \$133 for Stage 2).

Current practice in at least one large county, provides payment in arrears for Stage 1 child care expenses made by CalWORKs participants who incurred the expenses while working or in employment preparation but prior to adoption of a formal plan for that activity. This may have been an appropriate approval when counties were still ramping up to develop the capacity to develop plans for all CalWORKs recipients. It is less appropriate today. The estimated current year costs of these payments in arrears are a minimum of \$34 million.

- **The subcommittee will determine whether to adopt placeholder Trailer Bill language eliminating the payment of child care expenses in arrears, and reducing the estimated costs of Stage 1 child care in the budget year by \$34 million.**
  - **The subcommittee will determine whether to restore funding for the balance of unfunded Stage 1 obligations (\$16 million) and Stage 2 obligations (\$133 million).**
  - **The subcommittee will determine whether to restore child care funding with federal Child Care and Development Block Grant funds, in the amount of \$149 million; and a transfer of \$16 million General Fund from Stage 2 to Stage 1 budgets. This action must be taken in concert with subcommittee #1, Education.**
-

**Community Colleges**

The budget has eliminated \$58 million in funding from the budget of the Community Colleges, funding that has been used in past years to provide community college services to CalWORKs recipients. The budget retains \$15 million for child care expenditures for CalWORKs recipients enrolled in community college, and continues to pass through \$8 million in TANF funds to the community colleges.

The funds have been used to provide support services and instruction for CalWORKs students, including job placement and coordination; curriculum development and redesign; child care and work study; and instruction. The program has received national recognition as an effective means to provide support and time-limited training and instruction to new workers, or workers with barriers to participation in the workforce.

Extreme pressures on the General Fund, and on limited CalWORKs funds, may limit the subcommittee's capacity to restore these funds. In that event, the subcommittee may want to encourage subcommittee #1 to retain within community colleges a program with the capacity to provide time-limited services to persons with barriers to participation in the workforce.

- **The subcommittee will determine whether to adopt the reduction in community college funding.**
- **The subcommittee will determine whether to encourage subcommittee #1 to retain a specialized program for workforce entrants with barriers.**

**Adult Education**

The budget has eliminated \$36 million in funds for the Adult Education and Regional Occupational Collaborative Program (ROCP). \$10 million in TANF pass-through funds are retained in the Adult Education/ROCP budget.

These funds have been used to provide instructional services above the Adult Education cap, and support services for students both over and under the cap; funds are also used to provide ROCP services to CalWORKs students when space is available. A large number of students enrolled in this program receive basic literacy and English as a Second Language services.

Senate Budget Subcommittee #1 has identified funds from previous years that can be used to partially restore this program for the budget year (\$23 million).

Extreme pressure inside the CalWORKs budget may preclude the subcommittee from assuming that the Adult Education/ROCP program continues as a CalWORKs program.

- **The subcommittee will consider whether to recommend that the Adult Education/ROCP program be restructured to target new entrants and entrants with barriers to participation in the workforce.**
-

**Scope of the CalWORKs Program**

The federal government requires, as a condition of receiving TANF funds, that California provide a minimum level of General Fund support for programs serving CalWORKs participants and other low income households potentially eligible for CalWORKs. California's Maintenance of Effort is \$2.7 billion per year, as long as the state meets federal performance measures. The CalWORKs program expectations have grown substantially; in part because all counties are now operating fully; in part because successful employment of participants has increased the need for child care; in part because programs funded with TANF money in the early years have grown in caseload and cost.

If California is to fully fund child care for participants that are working, and provide a partial cost-of-living adjustment to participants in CalWORKs, some changes must be made to the array of programs funded within the CalWORKs MOE. The January budget took significant steps by removing some educational, employment development and corrections programs from CalWORKs. The Legislature can take additional steps as follows:

- **Adopt the LAO proposal to move federally eligible Emergency Assistance activities outside CalWORKs and use them to claim federal funds. This would reduce expenditures within CalWORKs by about \$70 million, and reduce General Fund needed by half that amount;**
- **Cap the expenditures within the Kin-GAP program and remaining non-federally eligible Emergency Assistance activities at current year levels. This will free up approximately \$30 million in TANF room.**

**The effect of these proposals are included in the attached chart. If adopted by the subcommittee, staff can bring back specific language for the May Revision hearing.**

**County Program Grant**

Currently, the state provides counties a Single Allocation that includes funding for Stage 1 Child Care, CalWORKs Employment Services, and CalWORKs program administrative costs. Counties can shift funds between these three different activities, as long as they remain within the overall amount of their Single Allocation.

The budget this year proposed to suspend the Proposed County Administrative Budget (PCAB) process that determines an adequate level of administrative and employment services funding needs under CalWORKs. The budget (consistent with actions taken in the current year) proposes to shift from a need-based budgeting methodology to a capped distribution based on historical spending. The budget proposes to compensate for this shift by providing counties with an expanded County Program Grant that includes funds

---



currently in the Single Allocation, plus the CalWORKs Mental Health, CalWORKs Substance Abuse and the Juvenile Assessment/Treatment Facilities and Probation Camps funding. The LAO has proposed also adding the funding from EDD, teen pregnancy prevention, and community college services provided through TANF funds. Counties would have the authority to shift funds within these allocations to meet local needs.

- **The subcommittee will determine whether to adopt the County Program Grant.**

#### **Mental Health and Substance Abuse Services to CalWORKs Participants**

The budget includes \$109.2 million of employment services funds to support treatment for CalWORKs participants with mental health and alcohol or other drug problems. County welfare departments are required to work with county mental health and alcohol and drug programs to design and implement effective ways to provide the services needed to assure that CalWORKs participants are able to get and keep employment.

The county associations involved with delivering these services (County Welfare Directors Association, California Mental Health Directors Association, County Alcohol and Drug Program Administrators Association of California), have established a working group to develop research and best practice guidelines for counties providing mental health, substance abuse and domestic violence services. The three associations believe that the next step in assuring that scarce resources are used appropriately is to develop outcome measures specific to these services. They seek budget direction to utilize \$100,000 from the allocation currently budgeted for mental health and alcohol and drug treatment services, through a county willing to accept the funds, to develop an outcome system that could be replicated in all counties.

When CalWORKs was developed, it was anticipated that the mental health portion of these funds at least would be used to draw down federal Medicaid matching funds, where appropriate. Because federal regulations prohibit the use of funds that match Medicaid also being used to match TANF funds, the CalWORKs mental health program does not participate in Medicaid. California does not have a difficulty today meeting its MOE requirement. And, some counties have exceeded the capacity of the set-aside, and have used scarce employment services funds to provide this treatment. Counties seek the authority to set aside a portion of the mental health funds to claim Medicaid, on a county-by-county basis. Such authority would permit counties to retain funds to provide services not eligible for Medi-Cal (such as parenting education or outreach) or for a long period that the medical necessity criteria under Medi-Cal would permit, in order to assure that participants are work ready.

- **The subcommittee will determine whether to direct \$100,000 from the Mental Health/Substance Abuse CalWORKs allocation, to a willing county, to be directed by the three-associations to develop a replicable outcome system for mental health and substance abuse treatment in CalWORKs.**
-

- **The subcommittee will determine whether to adopt placeholder trailer bill language permitting counties once annually, in sufficient time for appropriate budgeting, to set aside a specified amount of mental health funding to match Medicaid. This trailer bill language should include a report to the legislature in two years, to permit a determination of whether to continue the authority.**

#### **County Program Grant 5% Holdback**

The Governor's budget proposes to hold back 5% of the County Single Allocation/Program Grant to protect the state's risk of unexpected costs from caseload increases in CalWORKs and KinGAP and other unanticipated costs. The LAO notes that a hold back provision would result in a lower level of services at the county level, resulting in a reduction of up to \$95 million in services funds.

- **The subcommittee will determine whether to adopt the 5% holdback.**

#### **5120 California Workforce Investment Board**

##### **Performance Based Accountability System**

The Performance Based Accountability System (PBA) is a common reporting system to measure the performance of state and federally funded education and training programs for the purpose of system, program, and instructional improvement. The Board manages the PBA, funded by reimbursements from participating agencies. The most recent report, issued in August 2001, includes data from fiscal year 1997-98.

The Board has completed a Feasibility Study Report that identifies various problems with the PBA. The system is unable to collect, store and disseminate performance information for all workforce training programs. The complexity of the information will exceed the capacity of the system by the budget year. Users of the reports are unable to view and navigate the data in a flexible and useful fashion. Annual reports are late and costly.

The FSR proposes to contract with a private vendor to develop a system that can provide regular reports and on-line access to reports; an upgraded and more extensive database; and simpler formats for collecting and compiling information. The subcommittee at its April 4 hearing asked the LAO to review the FSR.

The LAO has completed review of the FSR. They are concerned about the lack of a full time project manager for the project. The Board proposal is to have the program manager and the chief information officer act as the state project management. In addition, the Board intends to rely heavily on the prime contractor for project manager. The LAO is concerned that IT projects can fail because of (1) lack of dedicated project management and (2) over-reliance on the prime contractor to act as the state's project manager.

---

The LAO recommends the following Budget Bill Language:

**It is the intent of the Legislature that the California Workforce Investment Board provide a full time project manager for the development of the redesigned Performance Based Accountability System. The project manager shall be independent of the project's prime contractor.**

- **The subcommittee will determine whether to adopt the proposed Budget Bill Language.**

#### **5100 Employment Development Department**

##### **SB 40 Clean-Up**

Legislative staff has identified, and EDD has confirmed, three technical issues in SB 40, 2001, which increases Unemployment Insurance benefits, in a phased set of increases through January 1, 2005. The changes include the following:

- Corrects an error in the title of the WARN Act;
  - Deletes a cross-reference which is no longer relevant;
  - Re-inserts language deleted in the final version of the bill, that permits a student to restrict working hours to protect school attendance, as long as a substantial full-time labor market remains.
- **The subcommittee will consider whether to adopt this clean-up as Trailer Bill additions.**

##### **Reed Act**

The federal Congress the first week in March passed an economic stimulus bill that provided extended unemployment insurance benefits. In addition, the federal act included a distribution to state unemployment trust fund accounts of Reed Act funds. These are federal unemployment tax revenues collected in California but not spent, and therefore accumulated at the federal level. **California's share of the distribution is \$936.9 million.** The funds may be used for the state administration of unemployment compensation laws and public employment offices; or payment of cash benefits, including regular state compensation. In other words, the funds could be used to pay cash benefits, including those that have already been legislated or extension of benefits, such as the retroactive benefits proposed by legislation. It can also be used to strengthen and streamline California's Unemployment Insurance system, including such items as updating the Employment Tax System, providing on-line opportunities to interact with the Unemployment Insurance system, and improving the call center system. Some of these changes in turn can result in long term savings that result in lower system costs.

**The subcommittee directed staff to meet with stakeholders in the system to discuss Reed Act funds and how these one-time funds can be used to protect employers and workers and improve system operation.** Staff met briefly with employer representatives, who were interested only in retaining the Reed Act funds on deposit to

---

delay any changes in tax amounts associated with increasing claimants or benefit levels. Staff also met with labor, local workforce investment representatives, and policy analysts on unemployment issues.

Attached is a proposed distribution of \$167 million in Reed Act Expenditures. Expenditures would leave approximately the same amount on deposit, in addition to the \$600 million set aside for retroactive benefits associated with 9/11. Moreover, most of the expenditures would not occur before employer tax levels are established for the budget year; some would not occur in the budget year. The expenditures were selected with the following goals in mind:

- Reed Act funds are one-time; outside of benefit payments, expenditures should primarily be used to support one-time costs;
  - The Unemployment Insurance tax information system is old, fragile, and may be subject to catastrophic failure. Changes, including the adaptation of the extended benefits required by federal law, take extensive time and personnel costs, because of limitations in the system. Setting aside the funds to redesign the system will protect employers and employees over the long term.
  - The current increase in unemployment has exposed significant problems in the call center system. This system also should be upgraded; and changes made to enable claimants to certify promptly by phone and on the internet.
  - The administrative costs to create an alternative trigger mechanism for extended benefits, and to create an alternate base period, would permit the utilization of the most recent labor force attachment to develop benefits, and would serve unemployed Californians better.
- 
- **The subcommittee will determine whether to adopt the proposed expenditures for Reed Act funds.**

#### **Naturalization Services for Airport Workers**

About 2500 airport workers will be laid off as a result of a federal law that requires US Citizenship in order to work at the security details at airports in California.

Advocates for these workers have pointed out that legal permanent residents of the United States meet every obligation placed on a US citizen, including the duty to be subject to the draft, and paying taxes. However, because of the new law, airport security workers will not only be subject to rigorous security clearance requirements, but will be required to be citizens.

California has developed, through the Department of Community Services and Development, a naturalization assistance program through community based organizations. That network of community organizations could be quickly utilized to provide the citizenship assistance needed to assure that those persons already working, and interested in retaining their jobs, are allowed to do so. The existing naturalization program costs \$350/person, and is based on a performance contract that requires the

---

submission of naturalization applications. The cost for providing services, using the CSD network, would be \$962,500, assuming that all individuals accept the assistance and that CSD receives an administrative overhead of 10%.

Because this problem results in 2500 persons potentially losing their job, due to action outside their own control, it seems an appropriate project for the WIA Rapid Response funds.

**The subcommittee could determine whether to schedule \$962,500 of WIA Rapid Response funds for use in a contract with CSD to provide immediate naturalization/citizenship services to affected airport workers in California.**

---